



California Lottery and You

California Lottery® Report to the Public
Fiscal Year 2006/2007





Welcome to the California Lottery!

On behalf of all the dedicated California Lottery staff, I am pleased to present you with the 2006/2007 Report to the Public. This report will offer you insights into our day-to-day operations. From financial information to product information, this document will serve to tell the story of what every Lottery employee works so diligently on throughout the year.

In 1984, the voters in California created the California Lottery based on the fundamentals of community; business, education, employment and enthusiasm. Through our network of over 19,000 retail business partners in the state we contribute at least 34 percent of sales to our beneficiary—public education. While suffering from sluggish sales during this fiscal year, the California Lottery still returned over 95 cents of every dollar to the community in the form of contributions to education, prizes and retail commissions. We proudly distributed over \$1 billion to our friends in the education community amounting to over 1% of the education budget in the state. We are honored to be a small part of every student's life and look forward to the opportunity to create new revenues in the coming fiscal year.

Lottery sales would not be possible without a network of lottery staff, retail partners and players. Our retail partners earn commissions on the sale of California Lottery products, fostering stronger businesses in every community in the state. This retail network interacts with lottery staff throughout the state in one form or another. In the past fiscal year, the California Lottery was home to over 600 employees, all California residents, neighbors and friends. These staff work daily to bring a sense of excitement to the state; whether the jackpot is large or small, the California Lottery has a game for every one of our players. We are pleased that California Lottery players won \$1,765,643,368 in prizes this fiscal year, creating opportunities to buy a car, remodel a house, take a vacation, take a permanent vacation or simply enjoy the future with a little more money in their pockets.

Thank you for taking the time to read our annual report. We hope you like what you see and we also hope you visit your local retailer to try one of our exciting products.

Sincerely,

A handwritten signature in dark ink that reads "Joan M. Borucki". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Joan M. Borucki
Director, California Lottery

California Lottery and Leadership

Created in 1984, The California Lottery Commission implements the rules and regulations of the Lottery Act, maintains the operational integrity of the Lottery and in the case of this fiscal year, receives briefings on the research surrounding the design of a long term business plan. The Lottery Commission is comprised of five members, appointed by the Governor and confirmed by the California State Senate. During the 2006/2007 Fiscal Year, the bi-partisan California Lottery Commission consisted of:



CHAIRMAN JOHN MASS, of Los Angeles, was first appointed to the State Lottery Commission by Governor Schwarzenegger in 2004 and was reappointed by the Governor on December 28, 2006. Mass is Executive Vice President and head of Corporate Development and New Ventures for the William Morris

Agency, LLC, where he oversees strategic planning, acquisitions and investments. Mass is also a member of the company's board of directors. Mass also serves on the Board of Directors of KCET, the PBS affiliate in Los Angeles as well as the Los Angeles Sports and Entertainment Commission, which is tasked with attracting live sports and entertainment events to Los Angeles. Prior to joining William Morris, Mass was an Associate in the Investment Banking Division at Bear, Stearns & Co., Inc.



RACHEL MONTES, of El Monte, was appointed to the California Lottery Commission by Governor Schwarzenegger on March 30, 2004. Montes has been a businesswoman for over 38 years in sales and consulting. Montes served as Community Liaison for the Mountain View School District

for 10 years. She had been elected as City Clerk of El Monte and later was elected as the first Latina Mayor of El Monte in 1999. Montes serves as Cultural

Commissioner for the City of El Monte. Additionally, Montes is on the Board of Directors of L.E.O. Affiliates and "Enough," both non-profit organizations which benefit her community.

MANUEL ORTEGA, of Yorba Linda, was appointed to the California Lottery Commission by Governor Schwarzenegger on March 29, 2005. Ortega served as Chief of Police in three different communities. Most recently, he retired from the City of Bell Gardens in December 2005, after serving five years as its Chief of Police. In addition, Ortega was previously appointed to the Commission of Peace Officer Standards and Training (P.O.S.T), served as chairman of the P.O.S.T. Commission for one year in 1996-97, and served on the Board of Prison Terms from 1997 to 2000.



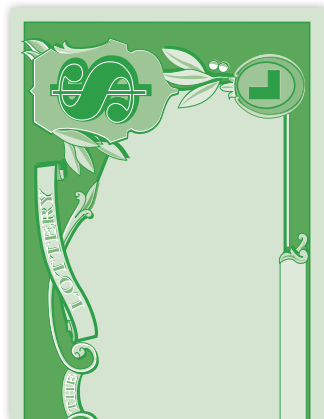
By law, the Lottery Commission must meet at least quarterly to conduct board business. Given the ambitions of the Lottery, the Commission met a total of six times during the course of this fiscal year in both Sacramento and Pasadena.

2006: August 9, November 1

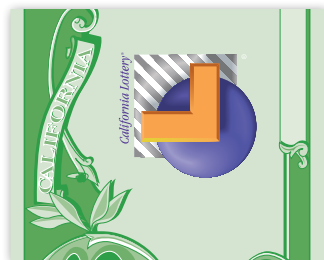
2007: January 17, February 28, May 24, June 27

Financial Highlights

How Your Lottery Dollar Is Spent



53.21¢
prizes



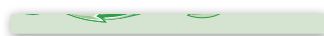
34.73¢
contributions to public education



7.05¢
retailer bonuses & commissions



3.34¢
operating expenses



1.67¢
game costs

The California Lottery implements the public's mandate to provide supplemental funds for public education by maximizing the sale of creative and entertaining lottery products. (Graphic represents actual allocation of revenue for fiscal year 2006/2007.)

Sales	Fiscal Year 2006/2007*	Cumulative Oct 3, 1985 – June 30, 2007
Scratchers®	\$ 1,824,355,512	\$ 21,751,727,378
SuperLOTTO Plus®	\$ 629,431,369	\$ 22,760,258,610
MEGA Millions®	\$ 393,607,710	\$ 858,364,469
Fantasy 5	\$ 147,443,128	\$ 2,440,687,263
Daily 3	\$ 152,383,525	\$ 1,414,877,747
Hot Spot®	\$ 143,182,870	\$ 3,563,608,049
Raffle	\$ 16,865,825	\$ 16,865,825
Daily Derby®	\$ 11,076,566	\$ 443,938,468
Total Sales	\$ 3,318,346,505	\$ 53,250,327,809

Prizes

Total Expense	\$ 1,765,643,368	\$ 27,369,200,270
----------------------	-------------------------	--------------------------

Administrative Expenses

Retailer Compensation	\$ 233,792,642	\$ 3,445,914,069
Game Costs	\$ 55,545,187	\$ 1,293,976,472
Operating Expenses	\$ 110,932,619	\$ 2,505,463,910
Total Administrative Expenses	\$ 400,270,448	\$ 7,245,354,451

Education Contributions

Legal Minimum (34% of Sales)	\$ 1,128,237,812	\$ 18,105,111,455
Interest Income	\$ 23,296,899	\$ 381,236,049
Administrative Savings	\$ 24,194,877	\$ 530,661,633
Unclaimed Prizes	\$ 29,217,965	\$ 639,458,538
Other Income	\$ 1,199,529	\$ 7,670,580
Total to Education	\$ 1,206,147,082	\$ 19,664,138,255

*As required by law, each year an independent accounting firm audits the California Lottery's financial statements. KPMG LLP conducted an independent audit of the Lottery's annual financial statements and issued an unqualified opinion on those statements as of and for the fiscal year ending June 30, 2007. The State Controller's Office and other independent accounting firms also audit various aspects of the Lottery's operations. For a copy of the audited financial statements, contact the California Lottery Communications Office, 600 North 10th Street, Sacramento, CA 95811.

For comprehensive financial information about the California Lottery, logon to www.calottery.com.

Fiscal Year 2006/2007 Contributions to Education by County*

County	Total 2006/2007	Cumulative Total
Alameda	\$40,848,675.69	\$699,119,539.41
Alpine	\$23,835.78	\$561,614.58
Amador	\$712,234.89	\$12,561,171.78
Butte	\$6,595,229.71	\$115,695,554.91
Calaveras	\$1,019,023.89	\$18,454,946.69
Colusa	\$664,133.38	\$10,962,853.97
Contra Costa	\$29,894,619.56	\$491,086,480.76
Del Norte	\$682,695.29	\$12,860,107.81
El Dorado	\$4,548,631.44	\$77,829,665.35
Fresno	\$33,480,921.97	\$535,498,046.87
Glenn	\$934,384.97	\$16,899,052.78
Humboldt	\$3,771,230.76	\$74,880,356.11
Imperial	\$6,481,992.56	\$101,572,274.73
Inyo	\$479,563.70	\$9,863,768.11
Kern	\$28,848,706.19	\$428,186,549.65
Kings	\$4,137,863.43	\$66,538,501.53
Lake	\$1,475,783.11	\$26,241,753.18
Lassen	\$1,026,250.37	\$21,351,914.60
Los Angeles	\$304,573,108.44	\$5,224,081,975.82
Madera	\$4,356,953.44	\$65,836,437.54
Marin	\$5,015,612.77	\$94,981,890.66
Mariposa	\$329,844.32	\$6,762,058.04
Mendocino	\$2,486,835.52	\$51,338,030.83
Merced	\$9,908,730.99	\$154,193,162.89
Modoc	\$279,949.99	\$6,008,930.97
Mono	\$352,156.39	\$5,132,755.72
Monterey	\$12,842,098.73	\$228,253,932.39
Napa	\$3,927,371.26	\$65,837,598.48
Nevada	\$2,069,713.72	\$35,633,838.76
Orange	\$94,029,932.51	\$1,532,655,907.19
Placer	\$11,952,958.71	\$159,607,875.18
Plumas	\$639,619.22	\$12,660,709.44
Riverside	\$67,388,777.16	\$855,741,121.14
Sacramento	\$43,962,095.42	\$681,602,222.36
San Benito	\$1,643,128.35	\$25,896,412.78
San Bernardino	\$68,602,155.58	\$1,024,728,094.72
San Diego	\$89,923,598.73	\$1,485,838,258.48
San Francisco	\$12,633,772.54	\$262,160,110.48
San Joaquin	\$22,354,192.68	\$344,661,118.41
San Luis Obispo	\$6,531,516.57	\$112,815,594.65
San Mateo	\$15,884,857.68	\$296,865,088.55
Santa Barbara	\$13,807,206.11	\$222,161,926.62
Santa Clara	\$51,011,843.39	\$873,419,915.03
Santa Cruz	\$7,600,607.09	\$134,261,307.50
Shasta	\$5,517,600.14	\$98,971,009.05
Sierra	\$80,733.08	\$2,842,332.89
Siskiyou	\$1,284,485.31	\$27,600,485.02
Solano	\$11,693,508.44	\$206,108,615.93
Sonoma	\$13,564,365.20	\$234,832,464.74
Stanislaus	\$17,868,344.22	\$283,041,471.03
Sutter	\$2,886,653.42	\$43,118,869.46
Tehama	\$1,672,724.48	\$29,009,059.03
Trinity	\$301,345.19	\$6,530,611.91
Tulare	\$15,253,068.26	\$251,920,895.12
Tuolumne	\$1,045,896.07	\$20,745,882.31
Ventura	\$25,028,446.48	\$424,892,339.20
Yolo	\$4,361,387.20	\$70,307,093.37
Yuba	\$3,032,800.14	\$55,390,096.17
Sub-Total - Counties	\$1,123,325,771.63	\$18,438,611,652.68
Misc.	Total 2006/2007	Cumulative Total
California Maritime Academy		\$514,957.68
California State University	\$42,572,761.91	\$733,170,655.91
CDCR, Div. of Juvenile Justice	\$205,906.50	\$12,704,395.54
Dept. of Developmental Services	\$0.00	\$16,109,472.20
Dept. of Education		
State Special Schools	\$111,058.57	\$2,371,337.14
Dept. of Mental Health	\$0.00	\$7,350,063.37
Hastings College of Law	\$158,425.06	\$3,322,783.63
University of California	\$25,622,134.38	\$432,088,208.82
Sub-Total - Misc.	\$68,670,286.42	\$1,207,631,874.29
Grand Total*	\$1,191,996,058.05	\$19,646,243,526.97

*The figures reflect funds that entities have received from the California State Lottery Education Fund. Any changes resulting from the 2006/2007 financial audit will be reflected in the distribution for the first quarter of fiscal year 2007/2008.

California Lottery and Your Community

To access the California Lottery's contributions to education for your county or School/District please visit our website at www.calottery.com:

1 Go to calottery.com and click on **Supporting Education**

2 Click on the **Fulfilling Our Mission to California Education** box

3 Click on the **How Much Money?** subhead

4 Select **county/district** and type **your county's/district's name** in the box provided

Lottery Funds at Work

Last Year the Lottery proudly distributed \$1.2 billion in supplemental funding to public schools throughout California. Lottery funds can be used with few exceptions, so schools are able to utilize them on their region's specific needs. This is incredibly positive for schools as they are able to focus these supplemental funds directly to programs, materials and resources that benefit their student community.

During the past 22 years, the California Lottery contributed over \$19 billion to education and over the past seven years has generated over \$1 billion annually for California schools. While this accounts for approximately 1-2% of all education funding, these funds give schools the flexibility to maintain and expand valuable programs and services that are priorities in their local communities.

Over 95 cents of every Lottery dollar is returned to the community in the form of prizes, contributions to education and retail commissions. At least 34 cents of every Lottery dollar is contributed to education. Local education

beneficiaries are required to keep these funds allocated separately in their individual budgets, and each year they report back to the California Department of Education their expenditures by category. *See pg. 5 chart.*

During the 2006/2007 Fiscal Year, the California Department of Education reported on the 2005/2006 Fiscal Year expenditures. This report summarizes the 2006/2007 Fiscal Year disbursements from the Lottery Education Fund to public education.

These figures show that K-12 schools are using Lottery funds for instructional purposes as well as instructional materials as required by the Lottery Act. In addition to kindergarten through 12th grade, California Lottery funds also benefit California's community colleges, California State Universities and the Universities of California throughout the state. In addition, state agencies that have a public education component such as the California Department of Corrections and Rehabilitation's Division of Juvenile Justice and the California Department of Education's State Special Schools also benefit from Lottery funds.

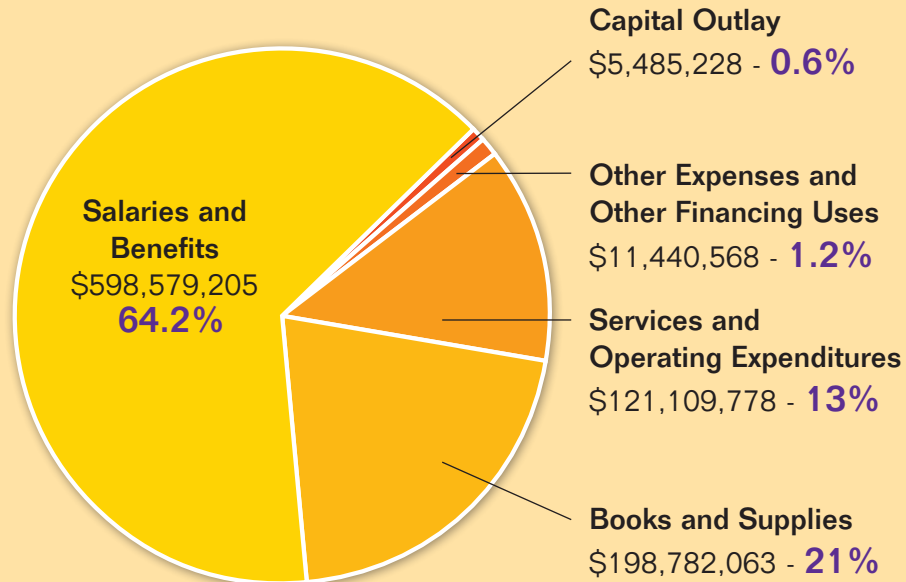


Distribution of Lottery Funds to Education by Type of School

Recipient	2006/2007 Fiscal Year Totals	Percent of Funding	Cumulative Total (1985 to 2007)
K-12	\$ 960,270,987	80.56%	\$ 15,839,249,791
Community Colleges	\$ 163,054,785	13.68%	\$ 2,599,361,862
California State University	\$ 42,572,762	3.57%	\$ 733,170,656
University of California	\$ 25,622,134	2.15%	\$ 432,088,209
Hastings College of Law	\$ 158,425	0.01%	\$ 3,322,784
CDCR, Div of Juvenile Justice	\$ 205,907	0.02%	\$ 12,704,396
Dept of Educ – State Special Schools	\$ 111,059	0.01%	\$ 2,371,337
* Dept of Developmental Services	\$ 0	0.00%	\$ 16,109,472
* Dept of Mental Health	\$ 0	0.00%	\$ 7,350,063
* California Maritime Academy	\$ 0	0.00%	\$ 514,958
Grand Total	\$ 1,191,996,058	100%	\$ 19,646,243,527

* Current year contribution withheld based upon prior year contribution adjustment.

California Lottery and Schools Fiscal Year 2005/2006*



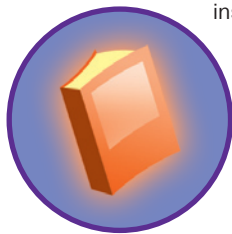
Local education administrators, elected school boards and the administrators of higher education make decisions regarding the ways Lottery funds are allocated in their schools. Per state law, the Lottery is not involved in this decision-making process. If you live in California and would like to know how Lottery money is used in your community, contact your local school district, county office of education or office of higher education.

* Fiscal year 2006/2007 figures will be released by the California Department of Education in May 2008.

Examples of Lottery Funds at Work

Grant Joint Unified School District

The Grant Unified School District uses lottery funds for instructional materials, providing a specific amount to every teacher to purchase instructional materials for their classroom. New teachers receive more because their classroom needs are greater. Teachers use Lottery funds to purchase a wide range of instructional materials such as computer printers, disk drives and lab supplies.



Newcomb Academy

The Newcomb Academy, a kindergarten-8th grade school, in the Long Beach Unified School District (LBUSD) uses lottery funds for classroom technology, instructional materials and staff development/training. The LBUSD uses lottery funds to pay for substitute teachers so that full time teaching staff can attend conferences like the Annual California Science Teachers Association Conference.



Mare Island Technology Academy

The Mare Island Technology (MIT) Academy in Vallejo uses lottery funds to enhance the curriculum of the courses taught to its high school and middle school students. MIT Academy uses lottery money to fund an annual trip to the Maine Headlands to study biodiversity and the ecosystem. Lottery funds are also used to purchase supplemental instructional materials such as lab supplies.



CSU Monterey Bay

California State University, Monterey Bay uses lottery funds to support its federally funded teacher recruitment project; Highly Qualified Avenue. Lottery funds are used to award scholarships to math, science and special education teacher credentialing students who are pursuing their credential. This program allows candidates to teach in a classroom while earning a credential.



California Lottery and Success

The California Lottery recognizes that different businesses need different business models. In March 2007, we introduced a pilot program of a new business model with CVS Pharmacy. Chain pharmacies are increasing their

neighborhood presence at a rapid rate in California creating incredible customer convenience. CVS management recognizes that California Lottery players are their customers and want to

meet the needs of their customers but needed to find a better way to deliver lottery products to consumers.

The Lottery is working with CVS to ensure that our products have a wider distribution, are where Californians shop and meet the changing needs of both retailers and players. By creating different business models, that meet the needs of diverse retailers, we will be able to attract retailers who do not currently sell Lottery products, making our products available in convenient locations for our players.



Nine Millionaires in Six Short Weeks

In February 2006, the California Lottery introduced of an exciting new game, something familiar to every community; a raffle! More specifically, a Million Dollar Raffle offering the best odds of winning a million dollars ever offered by a California Lottery game. Tickets went on sale on February 5, 2007 with the final drawing taking place on that luckiest day of the year, St. Patrick's Day, March 17, 2007. In addition to the 40 preliminary draw winners of \$10,000 each, the Lottery drew lucky number combinations creating nine new California millionaires on St. Patrick's Day! These winners hailed from all over the state from cities like Long Beach, Hacienda Heights, San Bernardino, Los Angeles, Paramount, Lakewood, Castro Valley, Yorba Linda and Costa Mesa.

This new Lottery game created \$5.7 million in supplemental funding for public education in California in just six short weeks.



No More Re-Gifting

Everyone has a challenging friend or family member on their gift giving list each holiday season. This year the California Lottery aimed to solve Californian's holiday shopping woes by offering up an innovative combination of Lottery products!

The California Lottery introduced a first-in-the-nation "Holiday Gift Pack" at a price of \$50. The gift pack offered a \$50 assortment of Scratchers,[®] as well as 10 coupons

good for a \$1 SuperLOTTO Plus[®]

Quick Pick[®] at any California Lottery retailer.



Not only did these gift packs make shopping for the holidays easier, this year, the California Lottery also partnered up with local retailers and Westfield Malls to offer California Lottery products at mall kiosks throughout the state. This convenient location brought Lottery products to the forefront of shoppers minds while battling the holiday crowds! These venues alone saw \$90,000 in sales, proving that Lottery products are a great gift!

Scratchers® are for Everyone

Every year, lotteries around the country strive to offer Scratchers® tickets in new and innovative ways. This fiscal year, the California Lottery introduced over 40 different Scratchers® creating something exciting for everyone!

One of the most dynamic tickets was the suite of Major League Baseball (MLB) Scratchers®. Coinciding with the start of the Major League Baseball season in April, the California Lottery introduced five new tickets. Each ticket featured one of each of the five MLB teams in the Golden State. In addition to amazing cash prizes, this game also



offered unique prizes including; throwing out the ceremonial first pitch at a MLB game, hitting the road to see their favorite team play, having dinner with a former big leaguer

"I want to thank the California Lottery for spotlighting successes in K-12 schools. Through support of programs like the California Distinguished Schools and the Teachers of the Year, the Lottery has been a positive partner to public education."

—State Superintendent of Public Instruction Jack O'Connell
pictured with California Lottery Director Joan Borucki.

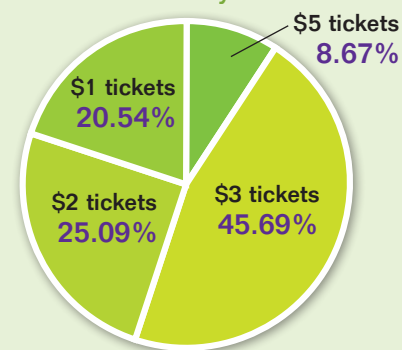
or catching a game from a luxury suite that could hold up to 20 of their closest friends.

Major League Baseball Scratchers® also offered the opportunity to raise awareness of some

of the most dynamic members of California's Education Community. As part of our sponsorships with the MLB teams in the state, we were able to invite the local California Distinguished Schools to take in a game with Superintendent of Public Instruction Jack O'Connell and California Lottery Director Joan Borucki (pictured left). Administrators and teachers from these schools were treated to an on field acknowledgement at the beginning of the game by the teams!

Scratchers® tickets are the highest selling product of all California Lottery games. We are proud to offer this inexpensive form of entertainment from one end of the state to the other. In the 2006/2007 Fiscal Year, the most popular games were games that offered extended play features such as the crossword and bingo themed games. California offers Scratchers® in \$1, \$2, \$3 and \$5 price points.

Scratchers® Sales by Price Point



Awards and Accomplishments

The integrity of the California Lottery is key to building and retaining the support of our customers, retailers and friends. We are proud that for the fourth year in a row, the California Lottery's Finance and Accounting Division has been acknowledged for excellence in financial reporting by the Government Finance Officers Association of the United States and Canada.

This year, the North American Association of State and Provincial Lotteries bestowed the North American lottery industry's highest award, "The Best of the Batch," to the California Lottery for its television ads "Snow," "Softball" and "Drawing." These advertisements were developed to promote our SuperLOTTO Plus and MEGA Millions games.

The television industry also took notice with the Northern California chapter of the National Academy of Television Arts and Sciences awarding an Emmy to the "Snow"



For the California Lottery's award winning advertisement—"Snow," crews set the scene in a San Diego suburb for the filming of the ad of a Lottery winner bringing home the snow so his children can make snow angels in the backyard.

television advertisement for Outstanding Achievement in Commercial Announcements.

The Public Gaming Research Institute also acknowledged the California Lottery's efforts, awarding it one of ten finalists for their "Smart Idea Award" for our new holiday gift packs.

California Lottery and Careers

The face of the California Lottery's workforce may have changed some over the last 22 years, but the soul of the organization has maintained the same energy and enthusiasm during that time. In 1985, the Lottery opened its doors with a staff of approximately 1,000. Currently, the Lottery employs approximately 620 people, 114 of whom have been here since 1985. What keeps a person working for



the same organization for more than 22 years? Perhaps it's because everyone who works at the Lottery is a member of a winning team. Perhaps it's the feeling of working for an organization that returns so much to every community in the state. Whatever the reason, California Lottery staff are a dedicated group of people determined to bring a little fun into the lives of those who live in or visit California.

Liz Furtado & the Lottery

"The best part of my job is being able to create products that players have FUN with. Every game is so unique and different that I never get tired of what I do."

Liz Furtado and the staff of the Game Development Department develop each and every Scratchers® game that the California Lottery sells throughout the state. Liz has a hand in each of these games, helping to design Scratchers® game themes and prize structures. Liz works diligently everyday to ensure that every Scratchers® ticket that reaches a customer's hand is not only entertaining, but secure.

Given that there are nearly 40 Scratchers® games launched annually, Liz and the Game Development team work tirelessly to keep new and exciting games launched on time.

Liz Furtado began working for the California Lottery in June of 1985. She has worked in Scratchers® Game Development for the past 10 years.

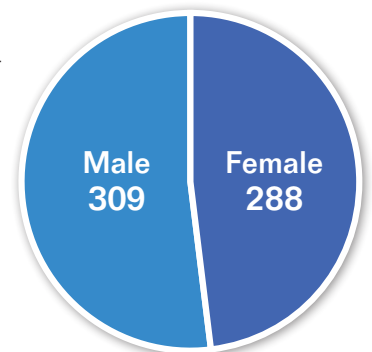


Teamwork!

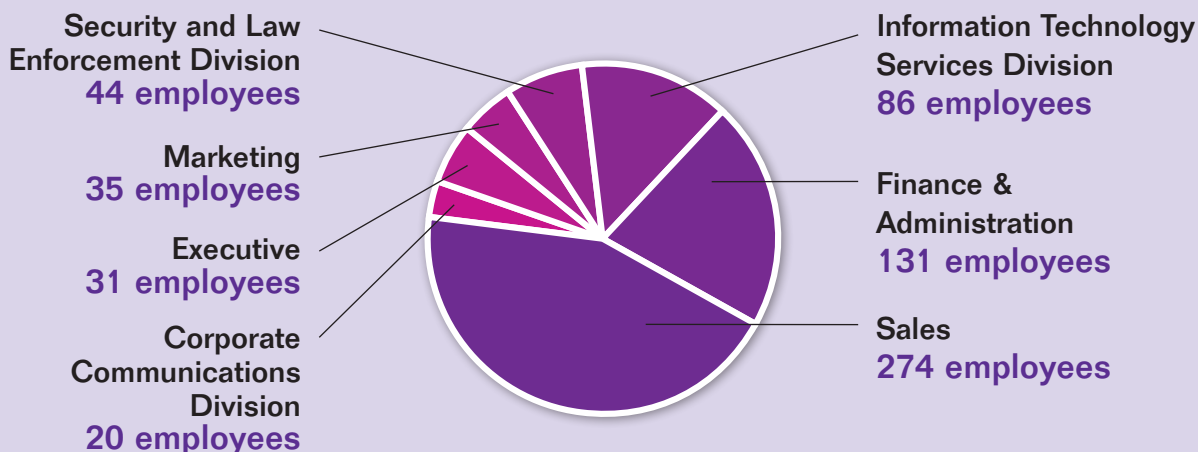
Lottery employees perform much of the work of the Lottery behind the scenes, relying on our network of retailers to interact with our customers. Ensuring that the Lottery has retailers throughout the state is a team of over 150 sales staff located at nine district field offices throughout the state. These employees not only recruit retailers to sell Lottery products, but visit the retailers in their community to ensure the retailers have the latest information about Lottery products for their customers.

Lottery employees are literally part of every community in the state; we are neighbors, colleagues and friends and we are working 24 hours a day, 7 days a week to bring Lottery products to you. District Sales Supervisor Jeff Bermont considers his position to be comparable to a good point guard in the NBA. "I enjoy seeing the people that I supervise become successful and enjoy their job," he says. Jeff also likes it when winners come into his district office to claim their Lottery winnings, and in turn, rewarding the retailer with their commission check. However, Jeff takes the most pleasure from feeling like he's "working for a nonprofit company" because the money the Lottery generates goes towards education.

Lottery Employee Gender Breakdown



California Lottery Teams by Division



While you see winning numbers appear on TV, on the web and in your local newspaper, few people know that there is a team of highly trained, dedicated individuals that supervise and perform the various draws throughout the day, every day. This staff works around the clock, with law enforcement officers and auditors observing their every move and to ensure that each draw is performed to the high levels of integrity required by the California Lottery.

The California Lottery is a unique part of California government. Of all the Lottery's positions, 41% are classifications used exclusively by the Lottery and not available at any other agency or department in the state. During this fiscal year, the California Lottery was comprised of seven divisions, including Executive; Finance & Administration; Corporate Communications; Security/Law Enforcement; Information Technology Services; Marketing; Sales.

Although California Lottery employees are unable to actually play our games, we still take pleasure in knowing that, as Lottery Product Development staff David Josephs says, "In a world dominated by political and economic realities we offer an escape, a chance to be optimistic, a chance to dream big for very little investment. How else, for a dollar, can you go to sleep believing in your heart that you can wake up a millionaire?"

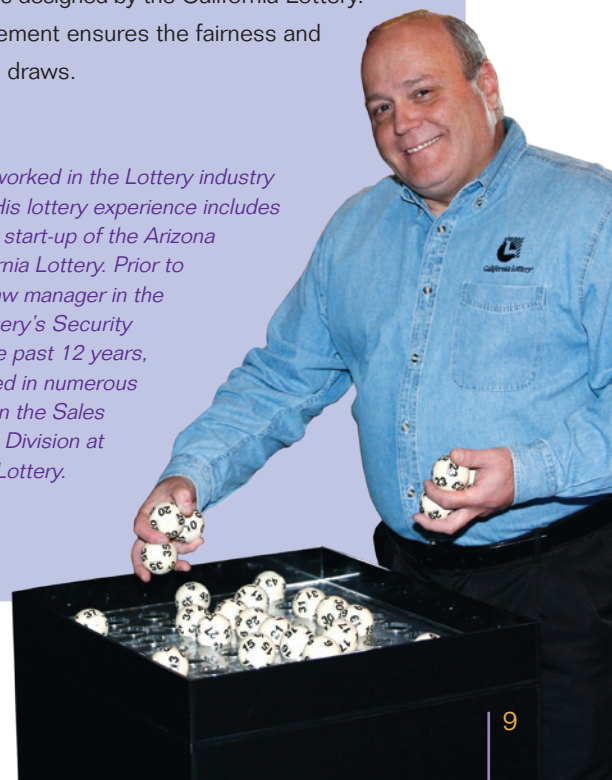
Knowing that our customers can hold onto that dream is one of the many reasons the soul of the Lottery hasn't changed over the last 22 years.

Jeff Aills & the Lottery

"There is nothing more rewarding than watching someone's life change when they win. I have one of the best jobs at the Lottery! I am especially proud of the Lottery's contributions to the state's public schools!"

Jeff Aills and his Draw Management Team are responsible for selecting the winning numbers for all draw games designed by the California Lottery. Draw Management ensures the fairness and integrity of all draws.

Jeff Aills has worked in the Lottery industry for 26 years. His lottery experience includes working at the start-up of the Arizona and the California Lottery. Prior to his stint as draw manager in the California Lottery's Security Division for the past 12 years, Jeff has worked in numerous positions within the Sales and Marketing Division at the California Lottery.



California Lottery and Retail Partners

The California Lottery offers each of its products through a network of over 19,000 retail locations stretching from one end of California to the other. Retailers of Lottery products apply and are chosen by the Lottery in accordance with the Lottery Act. The Lottery Act specifies that retail locations which provide public convenience, accessibility, and sell other



types of products will be considered as lottery retailers. Other factors include that the retailer provide proof of financial responsibility, integrity, promote the sale of lottery tickets, and provide security of the location while maintaining a certain volume of sales. These retail partners offer Californians and those who visit the Golden State an opportunity to try their luck!

At the California Lottery we pride ourselves in being a business partner in every community in addition to our contributions to education. In the 2006/2007 fiscal year, California Lottery retailers earned commissions and bonuses totaling \$233,792,642 for selling Lottery products. These figures prove that our retail partners do an incredible job of bringing the excitement of the California Lottery to their customers!

Retail locations that sell Lottery products receive a commission between 4.5-6%, as well as a 2-3% commission earned when cashing products up to \$599. Those retailers who are lucky enough to sell a winning jackpot ticket receive a bonus incentive payment of one half of one percent of the jackpot amount, up to \$1 million. For all their efforts on our behalf, California Lottery retailers are some of the best compensated Lottery retailers in the country!

Celebrating Retailers

Extraordinary retailers have the opportunity to earn the distinction of "California Lottery Retailer of the Month," and ultimately, "California Lottery Retailer of the Year." During the course of the year, each member of the Lottery's field staff make recommendations of retailers in their community that deserve special recognition. These retailers are nominated for Lottery honors based on the following criteria – sales, contribution

to local community, enthusiasm, environment and integrity.

Few California Lottery retailers earn the distinction of "Retailer of the Month," with one going on to be "Retailer of the Year." These honors don't come easily, but once earned, the Lottery celebrates this as an important part of the community.

With over 19,000 retailers in California generating more than \$3 billion in sales every fiscal year the California Lottery sees significant value in involving its retailers in the core decision making of our business. No one knows what customers want better than those who meet them face-to-face daily. The California Lottery Retail Advisory Board is comprised of independent and corporate retailers and trade association representatives. The Retail Advisory Board meets quarterly or bi-monthly to offer assistance with the development of products, marketing tools and promotions.

Kwun K. and Deborah Szeto own Park Liquor in Oakland's Chinatown District. This retailer was the Lottery's January 2007 Retailer of the month. Kwun and his wife have owned the store for 18 years and have been Lottery retailers for over 14 years.



California Lottery Products

Californians have a broad range of games and play styles from which to choose. Some prefer the excitement of large jackpot games like MEGA Millions® and SuperLOTTOPlus®, some like playing Fantasy 5® which is a daily lotto-style game; others prefer the

entertainment value of Scratchers® with lots of prizes and a grand prize of a trip to “The Big Spin®” show. The California Lottery provides a colorful spectrum of entertainment and excitement for all tastes and preferences.



Scratchers® players continue to display a high interest for the California Lottery's

array of games. Players' purchases of Scratchers® are fueled by the huge variety of tickets—more than 40 different games with unique themes, playstyles and instant prizes. Depending on the game, a Scratchers® ticket can give players a chance to play the popular bingo or crossword themed games and cost between \$1 and \$5 each. Players win prizes from a free ticket to a trip to spin the wheel on “The Big Spin®” show and a chance to win up to \$3 million.



The excitement of draw games continues to offer a low cost form of entertainment for

players. **SuperLOTTO Plus®** was introduced in June of 2000 and offers players a chance at winning a life-altering prize. Players pick five numbers from 1 to 47 and one MEGA number from 1 to 27 for each play. Cost is \$1 per play. Draw times are Wednesday and Saturday at 7:57 pm. SuperLOTTO Plus jackpots range from \$7 million to over \$100 million with an average jackpot of \$27 million.



MEGA Millions® was introduced to California in June 2005. Players pick

five numbers from 1 to 56 and one MEGA number from 1 to 46 for each play. Cost is \$1 per play. Draw times are Tuesday and Friday at 8:00 p.m. MEGA Millions is a multi-state lotto style game in which 12 states currently participate. In March 2007, MEGA Millions hit a record jackpot of \$390 million. Jackpots start at \$12 million and can grow as high as \$300 million or more with an average of \$66 million.



Fantasy 5 is the better odds daily lotto game. Players pick 5 numbers from a field of 39

per play. The cost is \$1 per play and drawings are held daily at 6:59 pm. The typical prize ranges from \$50,000 to \$500,000. A second chance draw option. Gives players that purchase 5 plays on a single ticket a coupon that can be mailed in for an opportunity to appear on “The Big Spin®” show and play the Fantasy 5 Dream Machine.



Daily 3 offers the best odds at winning a \$500 prize twice a day every day. Players pick

three numbers from 0 to 9, with repeat numbers allowed. Players then choose a play option: Straight (player wins if selection is drawn in the exact order.) Box (if player matches 3 numbers in any order.); or Straight/Box. Cost is \$1 per play.



Daily Derby® offers players a game with a horse race theme. Players choose

three horses from a group of horses represented by the numbers 1 through 12, with each individual horse designated to take first, second and third place in the race. Then players choose a finish time which can range from 1:40:00 to 1:49:99. Cost is \$2 per play and the drawings are held daily at 6:59 p.m.



Hot SPOT® offers players a game with prizes typically ranging from \$1 to \$10,000.

Players select from two to five or eight numbers from a field of 80 numbers. The Lottery draws 20 numbers from the same field. Depending on the numbers matched, players win different prizes ranging from \$1 to \$10,000. Each play costs \$1 and draws are held every 4 minutes. Winning numbers are displayed on TV monitors in retail locations throughout the state.

California Lottery and Winning

This Year was a winning year at the California Lottery as we awarded over \$1.7 billion in prizes! Over 2,000 people won prizes valued at \$10,000 or more. In fact, at a frequency of every other day, a California Lottery player won a prize of \$100,000 or more. Finally, the California Lottery proudly created 23 millionaires in the 2006/2007 fiscal year. Winners chose their numbers at random or used family birthdays or anniversaries to pick

their lucky numbers. Others bought their winning tickets on a whim or as an impulse on a routine trip to the gas station or the grocery store. Many have a favorite pick of numbers or a favorite retailer that they consider lucky because that location has sold winning jackpot tickets in the past. Others like the social aspects of playing in groups made up of friends, family and co-workers and others take the role of a jackpot captain.

During this fiscal year over \$19.6 million in prize money was awarded to 651 contestants appearing on "The Big Spin®" TV Show. It is no wonder that it is the biggest money game show on television! Players become contestants on the show through "The Big Spin®" Scratchers® ticket or the Fantasy 5 game.

Arturo Peña of Lake Forest won \$1 million on "The Big Spin®"

Arturo Peña of Lake Forest won \$1 million on "The Big Spin®" show which aired statewide Saturday, May 5, 2007. Arturo Peña has always felt very blessed to have a beautiful wife and six healthy children. He never would have imagined that after beating out nine other contestants in Aces High to go to the Big Spin wheel that his good fortune would continue! Peña was overcome with happiness, "I am definitely quitting my second job and spending more time with my family."

Campagna Buys New Car with Winnings

Kurt Campagna from San Bruno, was checking his numbers on the computer and found he won \$52,585 playing Fantasy 5. Campagna plans to buy his dream car—a 1929 Ford classic car! The long time Giants fan will put the rest of the money in the bank.



Mario Escobar Winnings Help Pay Daughters Tuition



Mario Escobar from San Francisco was speechless when he found out he matched 5 numbers playing SuperLOTTO Plus® and won \$35,718. Mr. Escobar bought a Quick Pick for this winning selection though he normally uses special dates and birthdays. He plans to use his prize money to pay for his daughter's tuition.



The Peña Family celebrates their million dollar win.

Million Dollar Raffle Winners

Nine Raffle Numbers Came Up Lucky in the California Lottery's Million Dollar Raffle

The California Lottery's Million Dollar Raffle showered Lottery players with plenty of green—\$19.4 million on St. Patrick's Day 2006 when nine lucky raffle numbers were selected worth a cool \$1 million each. With the best odds of winning a million bucks ever offered by the California Lottery, the Million Dollar Raffle not only created nine million dollar prizes, but also brought great excitement for 40 winners who won \$10,000 during four preliminary draws.



One of the lucky \$1 million winners, Gary Durian, a firefighter from Yorba Linda, said it took about 20 minutes to

really believe that he was one of the nine winners of the Million Dollar Raffle. When he was finally convinced that he was a winner, he bought an expensive bottle of wine and went home to surprise his wife. "We plan to invest it in expanding our house and maybe take a trip to Italy," said Mr. Durian. With a million bucks, Mr. Durian can now enjoy many bottles of wine in Italy.

Lucky Bowling Team

Robert Catena not only bowls with his employees, now, he and four of his bowling teammates will be sharing their Grand Prize of \$1 million. Catena stated that he was elated to win with his employee bowling team. He hopes to invest his winnings into his business. Ramirez, one of his teammates, plans to pay bills and take a vacation.



Winners Claimed Mega Millions® Jackpot

Robert Stafford, along with his children, Robert Jr. and Cynthia, claimed a \$112 million MEGA Millions® jackpot in Los Angeles—the largest claimed this past year. At least two out of three players were surprised that they had won, but one of the players was sure that she'd win someday.

"I always knew I would win, in fact, I knew we were going to win when I asked my dad to go and buy the ticket,"

explained Cynthia. She was so sure that she had already contacted a financial planner. "I'm all set," Cynthia proclaimed.

The Staffords chose the cash option and received approximately \$67 million (before federal tax withholding). The family group

won the second largest MEGA Millions jackpot in California history. While it is unclear what Robert Sr. will do with his portion of the prize, Robert Jr. and Cynthia both agree, they will invest and Cynthia will start college funds for her four children.

Robert Jr. and Cynthia Stafford, MEGA Millions® winners.



More Winners

Continued

Lucky Winners Enjoy Pay Days

When Californians think of winning the lottery, images of multi-million dollar jackpots immediately come to mind, but lottery prizes come in all shapes and sizes. Everyday winners celebrate winning all types of prizes; from small cash prizes to hundreds of thousands of dollars, to millions. California Lottery players prove that you don't have to hit the jackpot to win the Lottery!

For example, Pamela Konneker feels lucky everyday. She received \$5 in MEGA Millions Quick Picks® at her local retailer though she had requested five SuperLOTTO Plus® plays. Konneker decided to keep the ticket anyway and won \$132,562! Most of her winnings are helping her take care of her horse.

Jennifer A. Nuñez isn't a millionaire either but she's all smiles after spending \$6 on the Daily Derby® game at Jay's Market in Covina. The return on her investment: \$472,543, almost half a million dollars!



Jennifer A. Nuñez

California Lottery and My Lucky Group

For Gloria Madriz, the role of Lottery Jackpot Captain was a serious commitment that she took on for more than 10 years before leading her team to victory. When Gloria Madriz started her "Lotto Group" at the Department of Consumer Affairs in November 1996, she said,

"You'll need patience to be in this pool. We're not going to win right away, it could take about 10 years to win."

Surprisingly, Madriz wasn't too far off. It took her group of 20 state workers (some are already retired) 10 years and 5 months to win a \$72 million SuperLOTTO Plus® jackpot on lucky St. Patrick's Day 2007. Madriz purchased the ticket at one of the luckiest retailers in Sacramento, Lichine's Liquor & Deli. This was the third jackpot winner for Lichine's since they started selling Lottery products in 1990. Each group member received \$1,983,164 before federal tax withholding.

This lucky group of state employees dubbed the "Sacramento 20" won a \$72 million jackpot 10 years after starting their player group.



California Lottery and Players

The Lottery Act requires that we regularly review demographic information about our players. A tracking study is conducted that gathers information using weekly telephone surveys to provide data to the Lottery. The data is gathered by an independent firm and provided to the Lottery. The recent data for the past fiscal year shows that the majority of California's adult population is between 25 and 54 years of age with the majority of lottery sales are to players between 35 and 64 years of age.

Education levels for players tends to closely mirror the statewide population with 84% of players with an education level of high school or more. College graduates attributed for 34% of players.

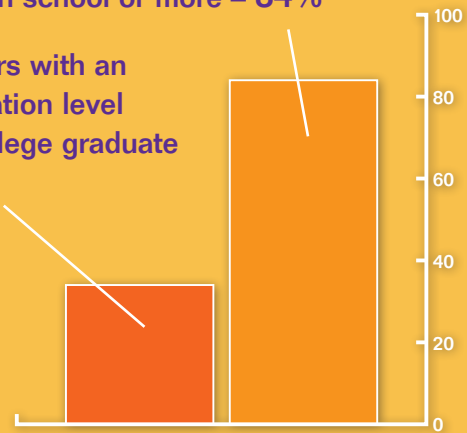
Gender: Although the population is evenly divided between males and females, males tend to purchase 53% of Lottery tickets while females purchase 47%.

Household income of Lottery players is very similar to the household income of the general California adult population with 54% of players having annual incomes higher than \$20,000.

Ethnicity of Players: Of the adult population surveyed, 43% of Caucasians stated that they played the Lottery over the past year along with 32% of Hispanics; 7% of African Americans; 12% of Asians; and 4% of Others.

Players with an education level of high school or more – 84%

Players with an education level of college graduate 34%



Everyone in the Pool!

Playing the California Lottery is fun and entertaining for many players around the state. Adding to the enjoyment, are those players who play with colleagues, friends and family. Everyday winners of the Lottery report that they play in groups because of the social aspect of playing together.

In October 2006, the California Lottery launched a special program on the Lottery's website to assist players who lead player groups. The group leaders or "Jackpot Captains" are able to sign up at www.calottery.com to get updated information e-mailed directly to them, receive templates and other lottery gifts to help organize their group and add to the fun.

Since 2006, over 13,000 Jackpot Captains have registered to take advantage of this opportunity. Based on surveys conducted among the "Jackpot Captains," the

average group has about eight members with about one-third of the groups have ten or more people. "Jackpot Captains" currently represent over 110,000 lottery players in California. Nearly half of the groups play SuperLOTTO Plus® somewhat regularly – regardless of the size of the jackpot, just over half of the groups only play when the jackpot reaches a certain threshold.

During the year, the Lottery offered three promotions exclusively for "Jackpot Captains." One such promotion, awarded one group leader plus three guests from the group entry to the Lottery's American Idol Finale party. The Jackpot Captains program is one way that the Lottery works to stay in touch with its loyal players.



California Lottery and Social Responsibility

In 1984, California voters approved a state operated lottery. The voters mandated that the lottery in California should maximize supplemental funding for public education through the sale of lottery products and be operated with integrity, security, honesty, and fairness. Since its inception, the California Lottery has continually maintained the responsibility to fulfill this mandate.

Social responsibility begins with staff. We have an obligation as internal stakeholders to act with integrity at all times, operating our business with the highest ethics.

Our relationship with all Californians is fundamental to our success. We strive to offer fun and entertaining products within a fair and secure foundation. Recently we introduced "Check-A-Ticket" devices that allow customers to scan their own tickets to determine if their ticket is a winner and the amount of the prize won. We work diligently to market our products in a responsible manner for adults over the age of 18. This year we took a closer look and created a new program to ensure that our retailers are not selling lottery products to minors.

At its core the California Lottery is a philanthropic organization. This core value is reflected by staff, who volunteers in their community and at work. Our relationship with the community extends beyond the next exciting game. During the 2006/2007 fiscal year, California Lottery staff raised over \$15,000 for the California State Employees Charitable Campaign. During the 2006 holiday season, Lottery headquarters staff in Sacramento participated in the Annual DREAM Project Holiday Backpack Drive with a local school district. This program provides new backpacks filled with clothing, school supplies, and small toys to Kindergarten through 7th graders.

The California Lottery strives to be a partner in the environmental efforts of the state. While much of our infrastructure and day-to-day activities are performed electronically, the environmental effects of any Lottery's business occur at both ends of the supply chain with our retail partners and our customers. While gaming generates waste in the forms of play slips, promotional or information materials, Scratchers® tickets and terminal receipts, we make every effort to print these using recyclable materials and encourage recycling by our end users.

Although not required by the Lottery Act, we have spent over \$1 million to address the issue of problem gambling

since 1998. Initially, the California Lottery created a problem gambling awareness program by funding a helpline—the first helpline of its kind in California. Our program has grown over time and we continue to ensure that education and awareness of problem gambling resources are included in communications with the public including the hotline number on the back of every ticket sold.



For more information on the California Lottery's long term goals, please visit www.calottery.com/businessplan

In March of 2007, the California Lottery participated in National Problem Gambling Awareness Week by distributing problem gambling awareness public service announcements to the major television networks in every major media market in the state. We also embarked on a retail awareness campaign with our over 19,000 retail partners, ensuring that information was available at every play center in the state about this issue and the resources available for the public. We are committed to our customers and understand that even one problem gambler is one too many.

We are proud of what we are able to provide as individuals and as an organization for the benefit of communities throughout California.



IMPORTANT PHONE NUMBERS

CUSTOMER SERVICE:

1-800-LOTTERY

PUBLIC AFFAIRS:

(916) 324-9639

DISTRICT OFFICES:

SAN FRANCISCO:

(650) 875-2200

SACRAMENTO:

(916) 322-5136

EAST BAY:

(510) 670-4630

CENTRAL VALLEY:

(559) 449-2430

VAN NUYS:

(818) 901-5006

INLAND EMPIRE:

(909) 806-4126

SANTA FE SPRINGS:

(562) 906-6356

SANTA ANA:

(714) 708-0540

SAN DIEGO:

(858) 492-1700

The California Lottery also provides a help line for individuals or families to provide information, counseling and assistance for problem gambling. The help line number is:

PROBLEM GAMBLING HOTLINE:

1-800-GAMBLER



California Lottery

600 North 10th Street
Sacramento, CA 95811

www.calottery.com